

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2932-02
Bill No.: HB 1211
Subject: Employees-Employers; Employment Security; Labor and Industrial Relations
Dept., Unemployment Compensation
Type: Original
Date: January 28, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Unemployment Compensation Trust	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Accounting**, assume this proposal would have no impact on their organization.

Officials from the **Department of Labor and Industrial Relations, Division of Employment Security** (DES), did not respond to our request for information. In response to a similar proposal DES assumed the following:

Cost Savings

- Elimination of compensation for waiting week credits.
- Increased work-related misconduct penalties.

Cost Increases

- Increasing a claimant's weekly earnings without a benefit reduction.

Increased Income to the Unemployment Compensation Trust Fund

- Increased taxable wage base.
- Contribution rate increase provisions.

DES estimated that implementation of these provisions would cause an estimated reduction in interest charges to employers.

The cost for computer programming, reprinting forms and pamphlets due to changes created by the proposal would be absorbed through the normal costs of operations.

Oversight notes that the prior DES response was to a proposal materially different from the current proposal, making DES estimates of dollar amounts unreliable for this fiscal note. Oversight assumes there would be significant but unknown cost savings, cost increases, and increased income to the Unemployment Compensation Trust Fund. Oversight also assumes there would be significant but unknown cost increases and savings due to benefit reductions for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Income</u> - Division of Employment Security			
Increased contributions	Unknown	Unknown	Unknown
<u>Cost Reduction</u> - Division of Employment Security			
Decreased benefit payments	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2005 (10 Mo.)	 FY 2006	 FY 2007
LOCAL GOVERNMENTS			
<u>Cost Reduction</u>			
Decreased benefit payments	Unknown	Unknown	Unknown
<u>Cost</u> - Increased contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Small Business</u>			

This proposal would affect small businesses as a result of direct changes to their unemployment tax rates, and changes in benefits paid to former employees which in turn affect the businesses' experience ratings.

DESCRIPTION

This proposal would revise employment security laws as follows:

- The state taxable wage base for calender year 2005 and thereafter would be \$10,000.
- If the balance in the Unemployment Compensation Trust Fund is less than \$500 million the wage base would increase by \$1,000 for the subsequent calender year. If the balance in the Unemployment Compensation Trust Fund exceeds \$800,000,000, the wage base would decrease by \$500 for the subsequent calender year.
- In no event would the state taxable wage base decrease to less than \$7,000.
- The maximum weekly benefit amount for years 2004 and 2005 would not exceed \$250. For years 2006 and 2007 the amount would not exceed \$255. For years 2008 and thereafter the amount would not exceed \$260.
- Claimants will not be considered ineligible for benefits if they are temporarily unemployed through no fault of their own or if they are participating in a state-approved drug or alcohol treatment program.
- The one-week waiting period which is currently to be compensated if the claimant is unemployed for nine consecutive weeks would not be compensated.
- Claimants who are dismissed for misconduct connected with their work would have their benefit balance reduced by an amount equal to the number of penalty weeks assessed times their weekly benefit.
- Partially unemployed workers would be paid an amount equal to the difference between their weekly benefit and that part of their wages in excess of \$20 or 20% of their weekly benefit amount, whichever is greater.
- Severance pay is deductible from unemployment benefits.

DESCRIPTION (continued)

- If the balance in the Unemployment Trust Fund for the previous four quarters is less than \$700 million the employer's contribution would increase by 10%. If the balance is less than \$600 million, the contribution would increase by 20%. If the balance is less than \$500 million, the contribution would be increased by 30%. Notwithstanding the above stated rates, for 2005 each employer's contribution rate would increase by 40%. An additional .3% for 2005 is to be paid by employers.
- A new temporary solvency charge would be charged to employers.
- If the Unemployment Compensation Trust Fund for the preceding four quarters is more than \$900 million, the employer's contribution rate would be reduced by 7% for the following calendar year. If the balance exceeds \$1 billion, the employer's contribution rate would be reduced for the following year by 12%.
- Moneys in the Unemployment Compensation Fund could not be diverted for purposes other than those authorized, and no other fund could be established with employer taxes that are offset by a reduction of unemployment contributions.

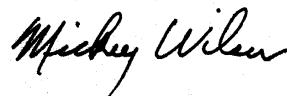
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Accounting

NOT RESPONDING

Department of Labor and Industrial Relations
Division of Employment Security



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Director

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